

C DUKES SCOTT
EXECUTIVE DIRECTOR

1401 Main Street, Suite 900
Columbia, SC 29201



Phone: (803) 737-0800
Fax: (803) 737-0986

DAN F. ARNETT
CHIEF OF STAFF

JOHN W. FLITTER
DIRECTOR
ELECTRIC & GAS REGULATION

November 5, 2010

VIA ELECTRONIC-DELIVERY

The Honorable Jocelyn G. Boyd
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Petition of South Carolina Electric & Gas Company for Authorization to Defer as a Regulatory Asset the Depreciation Expense Incurred from the Operation of Certain Pollution Control Facilities and to Charge and Record Carrying Costs on the Account Balance

Docket No. 2010-365-E

Dear Ms. Boyd:

The purpose of this letter is to inform the Public Service Commission ("Commission") that the Office of Regulatory Staff ("ORS") has reviewed the above referenced filing. South Carolina Electric & Gas Company ("SCE&G" or "the Company") requests to defer, as a regulatory asset, depreciation expenses arising from placing into commercial operation pollution control devices, "scrubbers," at its Wateree Generating Station. SCE&G also asks to receive monthly carrying costs on the balance in the account for this deferral. The scrubber began commercial operation on October 12, 2010 and so was not in its rate base under Docket 2009-489-E. The Company estimates an annual depreciation expense of about \$12 million and proposes that monthly carrying costs be calculated based on the yield of the Three-Year U.S. Treasury Note as reported by the *Wall Street Journal* print or electronic version as of the first day of each month, plus 65 basis points. Based on this review, ORS has no objection to the proposed deferral and carrying costs.

Sincerely,



John W. Flitter

JWF/dhc

cc: Dan F. Arnett, Chief of Staff, SC ORS
Nanette S. Edwards, Chief Counsel, SC ORS
Jeffrey M. Nelson, Esquire, SC ORS
Matthew W. Gissendanner, Senior Counsel, SCE&G
Dr. James Spearman, Executive Assistant, SC PSC